

## Message Text

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ACTION EB-08

INFO OCT-01 EA-10 ISO-00 CIAE-00 COME-00 INR-10 LAB-04  
NSAE-00 SIL-01 OPIC-03 TRSE-00 CTME-00 OMB-01  
/038 W

-----094004 170227Z /73

R 160643Z JUN 78  
FM AMEMBASSY CANBERRA  
TO SECSTATE WASHDC 3571  
INFO AMCONSUL PERTH

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E.O. 11652: N/A  
TAGS: EINV, EMIN, ETRD, BTRA, AS  
SUBJ: POSSIBLE INVESTMENT IN AUSTRALIA - ENGELHARD MINERALS AND  
CHEMICALS

REF: (A) STATE 150154(NOTAL),(B) CANBERRA A-111,  
(C) CANBERRA 4480(NOTAL), (D) CANBERRA 4447(NOTAL),  
(E) STATE 142059(NOTAL), (F) STATE 136813(NOTAL)

1. AS IS SO OFTEN CASE, ENGELHARD'S EFFORT TO KEEP ITS PLANS  
"CONFIDENTIAL" WENT FOR NAUGHT, AS DETAILED DESCRIPTION ITS  
PLANS APPEARED IN PRESS AS REPORTED IN REF B.
2. RUDOLF GRAF, ACCOMPANIED BY P. ETTERNFIELD OF ENGELHARD AND  
ALAN WALKER OF WEST AUSTRALIAN KAOLIN PTY. LTD., CALLED  
BRIEFLY ON CHARGE SQUIRQ ON JUNE 15, FOLLOWED BY MORE DETAILED  
MEETING WITH EMB ECON SECTION WITH LABATT ALSO PRESENT.
3. GRAF TOLD US THAT THEY HAD JUST COME FROM MEETING WITH R.  
DEAN OF FOREIGN INVESTMENT DIVISION OF TREASURY. HE DESCRIBED  
RECEPTION AS BEING CORDIAL AND SAID THEY HAD GONE AWAY WITH  
IMPRESSION THAT PROPOSED 80/20 PERCENT FORMUAL WOULD CAUSE NO  
PROBLEMS FOR TREASURY POINT OF VIEW. TREASURY PROMISED

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RESPONSE WITHIN THIRTY DAYS.

4. ALTHOUGH HE CLEARLY NOT FULLY UP-TO-SPEED ON FULL  
IMPLICATIONS OF RECENT ANNOUNCEMENT ON "NATURALIZATION,"  
(REF C), GRAF AND GROUP SAID THAT IN THEIR UNDERSTANDING NO  
RPT NO MENTION WAS MADE OF FUTURE NEED TO BRING SHARE OF  
AUSTRALIAN CONTROL AND EQUITY TO 51 PERCENT. IN ORDER THAT

HE BE BETTER PREPARED IN FUTURE, EMBASSY GAVE GRAF A COPY OF REF C.

5. EMBOFFS DESCRIBED CURRENT FAVORABLE FOREIGN INVESTMENT CLIMATE AS THEY SAW IT AB BOTH COMMONWEALTH AND WESTERN AUSTRALIA LEVELS. LABATT DESCRIBED LABOR PICTURE WHICH HE SAW AS BEING POSSIBLY LESS VOLATILE THAN IN, SAY, THE IRON ORE SECTOR IN VIEW OF FACT THAT NEED TO MEET PRODUCTION DEADLINES LESS IMPORTANT AND THUS UNION'S LEVERAGE LESS PRONOUNCED. SINCE KAOLIN MININ IS NOT SO CAPITAL INTENSIVE AS, SAY IRON ORE MINING, AND IS NOT STUCK WITH RIGID SCHEDULES AND CASH FLOW PROBLEMS (WHICH HAVE GIVEN UNIONS SUCH A LEVER ON SOME FIRMS) IT IS THUS LESS VULNERABLE TO CRIPPLING LABOR ACTIONS.

6. WHEN WE ASKED GRAF IF HE WAS AWARE THAT HE WOULD PROBABLY NEED EXPORT LICENSE, HE SAID TAOLIN WOULD BE SO HIGHLY PROCESSED IN AUSTRALIA THAT IT MIGHT NOT NEED EXPORT LICENSE AS IT WOULD NO LONGER BE A "RAW MATERIAL" WHILE GOA AND GWA ARE INDEED SO VERY KEEN TO SEE AUSTRALIAN PRODUCTS PROCESSED TO FINAL STAGE IN AUSTRALIA THAT EXPORT LICENSE WILL BE GRANTED INSTANTER, OUR READING OF AUSTRALIAN CUSTOMS REGS WOULD SEEM TO INDICATE THAT EXPORT PERMIT WILL BE REQUIRED.

7. GRAF STATED THAT ONCE GOA APPROVAL GRANTED, IT WOULD STILL TAKE 18 MONTHS TO TWO YEARS BEFORE PROJECT COULD COME LIMITED OFFICIAL USE

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ON STREAM AS MUCH TESTING MUST STILL BE DONE TO FULLY TEST OUT DEPOSIT AND PROCESSING FACILITIES MUST BE BUILT.

8. GRAF PROMISED THAT EMBOFFS WOULD BE KEPT INFORMED AS TO PROGRESS OF ITS APPLICATION IN FOREIGN INVESTMENT REVIEW BOARD (FIRB). HE SAID THAT IF ENGELHARD RECEIVED A TURN-DOWN HE WOULD RETURN FOR ADDITIONAL DISCUSSIONS. EMBOFFS EMPHASIZED THAT WHILE WE WOULD BE HAPPY TO DISCUSS POSSIBLE "TACTICS," WE WOULD NOT DEEM IT PROPER TO INTERVENE DIRECTLY WITH FIRB. GRAF SAID THEY FULLY UNDERSTOOD AND APPRECIATED THIS POINT. SQUIRE

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## Message Attributes

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**Disposition Action:** RELEASED  
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**Disposition Date:** 20 Mar 2014  
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**Disposition History:** n/a  
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**Film Number:** D780253-0219  
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**Office:** ACTION EB  
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**Secure:** OPEN  
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**Subject:** POSSIBLE INVESTMENT IN AUSTRALIA - ENGELHARD MINERALS AND CHEMICALS  
**TAGS:** EINV, EMIN, ETRD, BTRA, AS  
**To:** STATE  
**Type:** TE  
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